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World Financial Markets

Morgan Guaranty Trust Company of New York

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Global financial change, 1

Forces for innovation, 2

Pressures to deregulate, 4

Rewards, but with risks too, 7

Uncertainties for monetary policy, 9

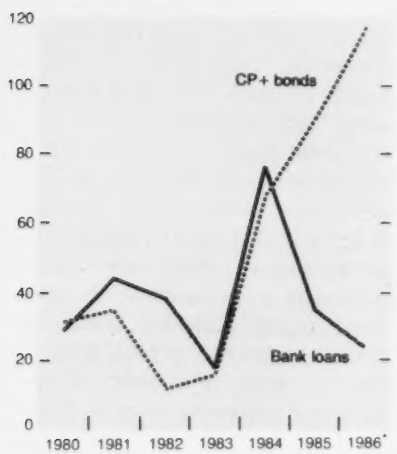
A stable framework, 10

Statistical appendix, 13

Chart 1

U.S. corporate borrowing

net borrowing of U.S. nonfinancial corporations billions of dollars



*First half, seasonally adjusted annual rates.

*Global financial change**

Financial markets are undergoing sweeping change worldwide. Ever since the Euromarkets emerged thirty years ago, there has been erosion of the barriers that used to segment currencies and countries, or otherwise differentiate financial and nonfinancial institutions by product, function, and geographic market. The pace has heated up in the 1980s. Internationalization has made possible, even mandatory, the global management of portfolios. A veritable alphabet soup of novel financial products crowds the marketplace. And, although there remains room for skillful niche players, customary specializations are on their way out for many of the largest institutions. Accordingly, the financial services industry generally is moving toward a less specialized structure. Indeed, competition among banks, securities houses, other domestic institutions, and foreign firms reaches new highs by the day.

Thanks to the cost savings and liquidity benefits of *securitization,* U.S. firms have drastically cut their reliance on direct bank financing: net commercial paper and bond issuance by private nonfinancial corporations eclipsed their borrowing from banks by a margin of 4 to 1 in the first half of this year, whereas bank loans had run ahead as recently as 1984 (see Chart 1). U.S. financial and nonfinancial firms are busily securitizing mortgages, automobile loans, and consumer credit receivables — assets that previously were illiquid and difficult to trade. In international markets, securitized lending now accounts for over 80% of gross new credit arranged (see Table 1), compared with about 50% in the mid-1970s. Syndicated bank lending has declined both in dollar total and as a share of total international lending. Global integration of finance, the phenomenon dubbed *internationalization,* is a force for revolutionary change in market structure, exemplified by the great increase in the presence of banks and other financial institutions outside their home markets (see Table 2).

Product innovation has bred a plethora of new — and sometimes not so new — financial instruments sporting nifty acronyms. Some of these new instruments allow the "unbundling," or separation, of risks

*Adapted from "Global Capital Markets: Issues and Implications," a paper by Rimmer de Vries, assisted by Gerard Caprio, Jr., officers of Morgan Guaranty Trust Company, presented to the Wallenberg Forum's conference on "Financial Fragility and Global Growth," sponsored by the International Law Institute and the Georgetown University School of Foreign Service, October 1986.

Table 1

*Gross international borrowing**

billions of dollars at annual rates

	1983	1984	1985	1986 Jan-Sep
Securitized financing	87	151	215	258
Bond issues	77	112	168	232
NIFs and similar backups	10	29	47	26
Syndicated bank loans	67	57	42	40
Other backups	3	11	11	7
Total borrowing	157	219	268	305
Memo:				
Securitized financing as % of total	55	65	80	84
Bond issues, net of estimated retirements	59	90	131	170

*Data exclude merger-related standbys and renegotiations.
Source: OECD.

Table 2

*Foreign banking presence by host country**

data are for year-end, except for 1985

	1970	1980	1985 second half
*United States***	50	579	783
United Kingdom	95	214	336
*Germany**	77	213	287
*France**	58	122	147
Switzerland	97	99	119
*Japan**	38	85	112
*Luxembourg**	23	96	106
Belgium	26	51	58
Canada	0	0	58
Netherlands	23	39	44
Italy	4	26	40

*The data are not fully comparable. Except for countries denoted**, the data count foreign banking institutions or families operating through branches or majority-owned subsidiaries (branches only for Italy).
**Data count banking offices (branches only for Japan), so that foreign organizations represented by more than one entity are double-counted. At end-June 1985, total represented foreign organizations numbered 350 in the United States, 95 in Germany, and 76 in Japan.
Source: BIS.

facing borrowers and investors and thereby facilitate the hedging of price, interest rate, and exchange rate risk. Continued innovation is inevitable, spurred on not only by the competition among rival firms but also by their efforts to exploit *technological change* in communications and data processing. Innovation likely will enjoy additional impetus from — and itself inspire — further financial *deregulation*.

Financial change brings rewards, but also risks. The rewards include more efficient allocation of capital, a wider menu of financial products for borrowers and investors — large and small — and enhanced hedging capabilities. If economies of scale exist — as many players now are betting — these benefits will be all the greater. However, certain risks may be heightened. Efficient markets transmit shocks quickly and may exacerbate interest and exchange rate volatility. Settlement systems are being tested by the mushrooming volume and complexity of financial transactions. And monetary policy is complicated by ever-easier shifts among financial assets. These potential negatives place a high premium on risk awareness and evaluation, profoundly challenging managers of financial institutions, not to mention their regulators. More dimly recognized is the associated challenge to governments as macroeconomic managers: in the past, financial crises have often — indeed, some would say, have always — originated from shocks compounded by macroeconomic policy mistakes. If governments are to contain the risks of the new financial freedom, and add its benefits to those traditionally recognized in free trade, they must observe discipline and coordination to limit the international imbalances that may arise in the pursuit of stable, noninflationary economic growth.

Forces for innovation

Just a few years ago financial innovation seemed of either actual or prospective importance principally in North America and the London-based Euromarkets. Although Germany and Switzerland regulated neither interest rates nor cross-border capital flows, their low inflation, universal banking, and concentrated domestic markets appeared to leave little room for financial change. In Japan, France, and Italy, credit and international capital controls were thought to stifle change. As things turned out, however, financial pressures were building in the latter group. And internationalization was — and is — stepping up competition in all major financial markets. Innovation is furthest advanced where competition is most intense, notably in the Euro, U.S., and U.K. markets. In concentrated markets where competition is less, innovation tends to lag.

Competitive pressures for financial innovation and institutional change owe much to the erosion of banks' traditional markets and franchise. The 1980s have brought the LDC debt crisis and a general deflation taking particular toll of shipping, real estate, farm, energy, and other commodity sectors. Many banks have seen their credit ratings slip and funding costs rise in consequence. They also face intermediation costs associated with reserve requirements, capital, and overhead. Many large corporations and governments therefore are able to borrow directly from investors at lower cost than from banks. This securitization leaves the typical bank with a loan portfolio of either lower quality or earning a reduced spread. Banks further have suffered from the ability of a variety of nonbank institutions to lend in many countries (with the notable exception of Germany) on the basis of

Table 3

*Interest rate swaps**

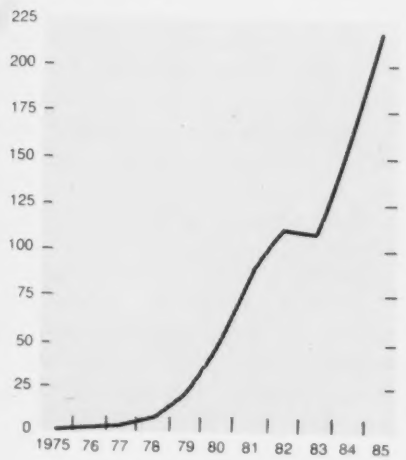
	Total outstanding end of quarter, $ billions	*Number of contracts concluded during quarter*
1985Q2	109.9	—
Q3	134.7	1055
Q4	170.2	1621
1986Q1	—	1744
Q2	—	2209

*Based on surveys by the International Swap Dealers Association. Interest rate (and currency) swaps exploit comparative advantage in borrowing in different markets, together with different preferences or needs for liability management. These swaps allow borrowers and investors to tap domestic or foreign markets and then alter the interest-setting mechanism (and currency denomination) of their liabilities and assets to suit.

Chart 2

*Interest rate futures**

number of contracts, daily average in thousands



* Contracts for Eurodollars, certificates of deposit, Treasury bills, notes, and bonds, plus Government National Mortgage Association Securities.

Futures and options contracts are now available for a variety of commodities, currencies, and financial instruments in several major industrial countries. Such contracts set terms for the future exchange of an underlying asset at a predetermined price. Whereas futures obligate both buyer and seller to perform, options commit only one of the parties to perform, with the other left to his choice. Together with swaps, interest-rate and currency futures and options can limit interest and exchange rate risk. Futures and options contracts also can be used to speculate on the price of the underlying asset.

deposits or borrowings free of reserve requirements and insurance fees.

Banks therefore have sought out other areas for profitable expansion. Often these feature new products, such as fee-based services and off-balance-sheet activities. For example, securitization reduces demand for traditional bank loans but creates demand for other bank services. Because borrowers and lenders in securitized markets face rollover risks, they display at least a potential demand for backup facilities. This demand is met by such devices as note issuance facilities (NIFs), involving medium-term bank commitments to purchase short-term paper that otherwise fails to sell within specified terms. Their use rose rapidly until mid-1985. Subsequently, another innovation has taken off — Eurocommercial paper (Euro CP). Although bank-line backups and ratings are routine for selling paper in U.S. markets, Euro CP normally is offered without direct backups or ratings.

U.S. and Japanese banks — excluded from much of the securities business at home — have particularly stressed international expansion. Internationalization has been further driven by such innovative products as interest and currency swaps (see Table 3). Historically, differences in taxes, regulations, information, or preferences have allowed major discrepancies among interest rates on assets of comparable risk. Today, by contrast, relatively small swap gains, although important to the parties involved, suggest a high degree of international integration of capital markets.

Competition among financial institutions sets great store by *technological advance*. In the last 25 years, data processing and communications costs have declined dramatically — on the order of 25% and 15% per year, respectively, and with no end in sight — in turn, slashing transactions costs and spurring trading activity. Low-cost, instantaneous communications are vital in bringing together financial market participants worldwide and now make possible 24-hour trading. Moreover, many of the new financial products could not have taken off without technological breakthroughs nor could managers hope to monitor their complex exposures adequately. That is certainly the case with financial futures and options contracts, whose trading volume has mushroomed in the 1980s (see Chart 2) and whose availability allows low-cost hedging of exposure to various economic risks. Today's optimal hedging strategies require complex processing of data from a variety of markets at home and abroad. Speed is of the essence, since trading opportunities often are short-lived.

Besides competition and technology, several macroeconomic forces have inspired financial innovation. The list begins with the growth of government deficits following the first oil shock (see Table 4). U.S. financial institutions have devised new ways to market government securities, for example in the form of zero-coupon instruments, and also use the well developed government debt market as the basis for futures and options contracts. Elsewhere, the deficits have compelled broadening of debt markets, putting governments in competition with banks and thrifts. The resulting innovations include the offering of debt at shorter term (as in Italy and Japan), with variable rates and in small denominations (Italy), in indexed form (United Kingdom and Italy), or by direct auction to a broad audience (France and Japan).

High and volatile *interest* and *inflation rates* during the 1970s and early 1980s in most of the industrial world (see Tables 5 and 6) have in-

Table 4

General government budget balances

percent of GNP

	1970	1975	1983	1986e
United States	—1.1	—4.2	—3.8	—3.4
Canada	0.9	—2.4	—6.2	—5.4
Japan	1.8	—2.7	—3.7	—1.5
Germany	0.2	—5.7	—2.5	—1.0
France	0.9	—2.2	—3.1	—2.9
United Kingdom	2.4	—4.7	—3.7	—2.8
Italy	—5.0	—11.7	—11.7	—12.7
Major 7 industrial countries	—0.2	—4.2	—4.1	—3.4

Source: OECD.

Table 5

Interest rate volatility

computed from monthly data on 3-month Eurodeposit rates, in percent per annum

	1973 Nov -1979 Sep	1979 Oct -1982 Aug	1982 Sep -1986 Oct
United States			
Range	5-14	10-20	6-12
Average	8	15	9
Japan			
Range	5-14*	6-16	5-8
Average	8*	9	6
Germany			
Range	3-12	8-14	4-8
Average	5	10	5

*3-month gensaki.

Table 6

Inflation volatility

computed from monthly data on 12-month percent changes in consumer prices

	1973 Nov -1979 Sep	1979 Oct -1982 Aug	1982 Sep -1986 Oct
United States			
Range	5-12	6-15	2-5
Average	8	11	3
Japan			
Range	2-26	2-9	0-4
Average	10	5	2
Germany			
Range	2-8	5-7	—1-+5
Average	5	6	2

tensified the use of novel tools for cash and interest rate risk management. *Exchange rate volatility* has stimulated demand for instruments to manage currency exposure. Although exchange rates had been by no means static under the Bretton Woods system, their short-term volatility rose in the 1970s and remains high today (see Chart 3). Explanations include swings in oil and commodity prices, current account imbalances (see Table 7), and differing policy responses by governments. Macroeconomic policies have been especially divergent in the 1980s, given the development of a large U.S. budget deficit matched by tighter fiscal policies in Japan and Europe.

Finally, among the forces for innovation, financial markets have had to cope with shifting *global portfolio preferences*. The second oil shock shifted wealth from the oil-consuming countries to the oil producers and then, in the wake of economic adjustment, back to Europe, Japan, and a few small Asian nations. OPEC portfolio holders were more attracted into short-term bank deposits, but today's Japanese investors prefer treasury bonds. These differing portfolio preferences among investors, and corresponding differences among debtors, have fostered such innovations as swaps and options, not to mention securitization.

Pressures to deregulate

Financial innovation and regulation make uneasy partners: each must adapt to the other. In the process, regulatory goals and procedures are being reexamined and the goalposts resited. Table 8 highlights some of the principal features of the present regulatory approach in the major countries.

Regulation finds its classical rationale in the need to protect the safety and soundness of the banking system from excessive risk-taking and mismanagement generally. Governments recognize the need to step in and defend solvent financial institutions but demand the right to supervise and regulate them as a quid pro quo for lender of last resort facilities or deposit insurance. Regulations also are employed as techniques of monetary policy, for example by interest rate, general credit, and cross-border controls, reserve requirements, and the prohibition of certain instruments. In addition, asset-holding (or reserve) requirements and differential credit limits may be used to help finance government deficits or other preferred activities. When binding, regulations typically prevent or make more expensive the extension of nonfavored loans, reduce bank competition, and lower deposit interest rates. Finally, governments regulate banks to prevent abuses and undue concentration, as well as to protect national ownership and control of financial institutions.

However, in recent years governments and regulators have come to acknowledge the declining efficiency, even the perverse consequences, of many regulations. Regulators further are changing their views about what is required for banking-system safety and soundness. For example, to facilitate the takeover of problem banks with large farm and energy exposures, the Federal Reserve has recommended temporary and selective relaxation of the ban on interstate banking. And 18 U.S. states have enacted statutes allowing current or future entry from any reciprocating state, while others have set up regional compacts.

Regulators have allowed new products in most major financial markets. This largely has been in response to pressure from domestic constituencies, but the Japan-U.S.

Chart 3

Exchange rate volatility

average absolute month-to-month changes, based on month-end rates in percent

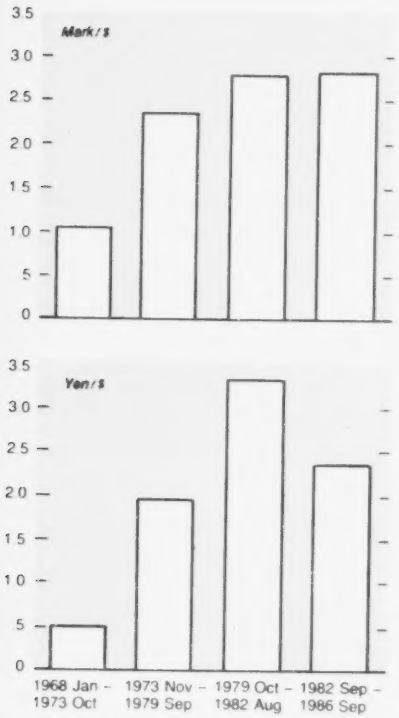


Table 7

Current account balances

billions of dollars, annual averages

	1976-1978	1979-1981	1982-1985	1986-1987
Industrial countries	—11	—39	—47	—30
United States	—9	8	—67	—140
Japan	10	—5	28	71
Germany	6	—9	7	29
OPEC	19	68	—9	—28
Non-OPEC developing countries	—25	—65	—38	—26
Eastern Europe and other	—9	—1	8	—1
*World**	—26	—37	—86	—85

*Equals statistical discrepancy.

yen-dollar talks have usefully supplemented the internal pressures within Japan for financial modernization. Their most tangible results are the liberalization and major growth of the Euroyen markets. Other reforms are gradually coming to pass, including this month's opening of a somewhat restricted offshore banking market. Progress also is reported toward easing the rules applied to domestic bond issues by Japanese entities, many of whom have found foreign channels preferable. Japan's forward steps are welcome. But much remains to be done, particularly to develop active short-term markets in commercial paper and treasury bills and to abolish the interest rate controls and fiscal preferences that distort household savings choices.

In Europe, reflecting belated recognition of the potential economic gains, political pressure is becoming a significant force for further financial deregulation: EC governments recently proclaimed their intention to end all restrictions on capital flows and create an open market in financial services by 1992. In a breathtaking overthrow of its former tradition, France now is endeavoring to catch up to the forefront of European financial innovation. Commercial paper, certificate of deposit, and interest rate futures markets all were recently authorized in France and since have grown rapidly. By contrast, the German and Swiss authorities have proceeded at a distinctly measured pace.

In the 1960s Germany offered a rare example by exercising neither interest rate nor credit controls. Elsewhere, interest rates on demand deposits, and often on time deposits too, generally were regulated. However, in many countries interest rate controls have since come to be viewed as unfair to small depositors and credit controls as penalizing private investment. Competitive forces also militate against continued controls. Today, U.S. banks still are prohibited from paying interest on ordinary demand deposits, but negotiable-order-of-withdrawal (NOW) and super-NOW accounts are available to individuals, and there are no controls on time deposits or credit. Interest rate controls now persist mainly in Japan and France. Both are moving to lift them over the next few years. Credit controls likewise are on the wane as monetary policies increasingly rely on open-market operations.

International pressures have been prominent in the drive to deregulate. Controls on cross-border capital movements have been relaxed or in many instances eliminated. Withholding taxes on interest paid to nonresidents have been lifted, inspired by the 1984 U.S. action on government and corporate bonds. The formal or informal restrictions that still exist in several countries, notably France and Italy, gradually are fading. The easing of restraints on holding foreign assets and lending to foreign borrowers naturally has played an important role in the international diversification of portfolios.

Several governments are actively promoting their home markets as international financial centers. Some have liberalized to keep financial business at home, since financial institutions and their clients show ability and readiness to move to less regulated foreign markets. Governments also are pressing the claims of their own financial institutions for "reciprocity" or "national treatment" in foreign markets.* All these motivations featured in London's recent

*Reciprocity requires that one country's financial institutions be allowed to operate in the domestic markets of another with privileges equal to those it affords to the second country's institutions in its own markets. National treatment extends to foreign institutions the same privileges and restrictions applied to domestic firms. These two standards can easily conflict in a world of different institutional and regulatory structures.

Table 8

Highlights of financial regulation in major industrial countries

	Interest rate controls	*Credit controls*	*Market structure*		*Product structure***
			Domestic	*International**	
United States	None on over-30-day maturities; otherwise abolished for individuals in 1983	None	Separation of commercial banks, savings banks, and securities firms; and restraints on interstate banking	No controls since 1974; easy foreign entry	Wide range of well-developed markets in CP, CDs, futures, options, FRNs, etc., with few restrictions
Japan	Being phased out on large time deposits (over $2 million), MMC minimum reduced to about $200,000 as of September 1986	Ad hoc "window" guidance	Separation of banking, securities, trust, and insurance; also of short- and long-term lending	Controls eased in 1980-84; continuing portfolio requirements and difficult foreign entry	CDs (introduced in 1979), BAs (1985), futures (1985), deep-discount bonds; no options; size and maturity limits on corporate issues
Germany	Abolished in 1967	None	Universal banks separate from regional savings banks, real estate banks, and building and loan associations	Controls substantially eased in 1960s and abolished in 1980/81; eased foreign entry in 1985	Zeros and FRNs (May 1985), CDs (1986); swaps allowed but discouraged; no CP, futures, options, or MMMFs
France	On demand, time, and savings deposits	To be abolished at end-1986	Universal banks separate from merchant banks, long-term credit institutions, finance, and specialized credit institutions	Eased in 1986, but still some controls on residents' lending for financial transactions; foreign entry easy in principle	CDs, CP with some restrictions on maturities and amounts (1985), futures (1985); no options
United Kingdom	Abolished in 1971	None since 1982	Eroding divisions among commercial banks, merchant banks, and building societies	No controls since 1979; relatively easy foreign entry	Similar to United States, with CP market new and relatively undeveloped
Italy	None	With varying degrees of formality	Separation of specialized banks, and short- and long-term credit institutions	Easing in 1986, but still controls on outflows; easy foreign entry	No futures or CP, undeveloped options and CD markets; zeros possible
Canada	Abolished in 1967	None	Separation of chartered banks and securities dealers, under review	No capital controls; limitations on foreign entry and ownership of financial institutions	Wide range of well-developed markets with few restrictions
Switzerland	None	None	Universal banks separate from cantonal and local savings banks	Controls abolished in 1979/80; no SF Euro-bond market; foreign entry with reciprocity	Undeveloped money and short-term bill markets; no options, CP, or CDs

*It should be noted that even countries that have abolished cross-border controls generally regulate insurance and pension portfolios.
**The acronyms are: commercial paper (CP), certificates of deposit (CDs), floating rate notes (FRNs), bankers' acceptances (BAs), zero-coupon bonds (zeros), and money market mutual funds (MMMFs).

"Big Bang," which has eliminated fixed commissions from U.K. equity markets and many traditional barriers among institutional functions. Following a rash of newly permitted mergers, many U.K. securities firms now are owned by commercial banks or foreign institutions. A number of countries allow relatively easy foreign entry into domestic markets by branching or establishing a subsidiary, but formal or informal restrictions may make expansion and profitable operation difficult. Moreover, even the now-liberal British share the near-universal reluctance to accept foreign takeovers of major domestic banking institutions.

U.S. banks and securities firms continue to be separated by the Glass-Steagall Act. True, there has been some slight erosion in U.S. restrictions. And several U.S. banks have applications pending for permission to underwrite commercial paper, the full range of municipal revenue bonds, and asset-backed securities. However, even if these applications are approved, U.S. banks still would be prohibited from underwriting corporate securities in domestic markets. Anomalously, thanks to a "grandfather" clause, some foreign banks that entered the United States before 1978 can engage in a wider variety of activities — including securities business — than U.S. banks. In Japan, the authorities recently allowed nine foreign banks into trust banking and several into the securities business through subsidiaries with 50% foreign bank ownership. Remarkably, Japan's city and long-term credit banks cannot enter either area. The Japanese government, banks, and securities companies see that traditional demarcation lines are not viable forever, but they seem to be waiting for U.S. abandonment of Glass-Steagall before significant amendment of their analogous Article 65.

Rewards, but with risks too

Global financial change has both positive and negative aspects. Competition and technology are reducing transactions costs to the clear-cut benefit of investors and borrowers. Small depositors increasingly earn market interest rates with access to a wide and inexpensive array of financial services. Internationalization allows investors to diversify portfolios and borrowers to tap markets in ways unthinkable ten years ago.

Separation of the various risks associated with financial assets enables more competitive pricing and trading. The broadening of futures and options markets has lowered the cost of hedging inflation, interest, and exchange rate risks.* When their capital is less at risk, investors are likely to invest in greater volume. Efficient markets also tend to equalize returns on investments of comparable risk and further allocate capital to high-return uses, thereby raising world output potential.

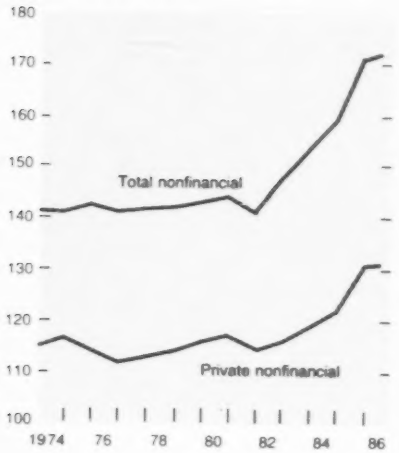
Contrary to the negative presumptions commonly expressed, stability of the global financial system may actually benefit from many of the changes now in progress. Careful studies of the commodities markets have found that futures trading either has no effect on the volatility of cash prices or actually helps stabilize them. Financial futures and options trading should not be presumed to act otherwise. Moreover, the same technology that underpins new, complex financial products facilitates monitoring of the exposures involved, and of other

*It is sometimes argued that hedging delays proper adjustment to price changes. However, the conclusion does not hold for a profit-maximizing firm. For example, if hedged against a rise in the yen, a Japanese exporter should set his dollar prices as if unhedged; hedging yields a lump-sum gain if the yen rises in exchange for an initial fixed payment, but alters none of the variables underlying profit-maximizing decisions.

Chart 4

The U.S. debt – GNP ratio

year-end data, except 1986 second quarter
percent of GNP



exposures as well. Eventually, transactions of many kinds will be recorded immediately, allowing exposures to be revalued, or "marked to market," instantly. Exposures further can be quickly recalculated under various scenarios, helping managers to appreciate potential gains and losses. Finally, the unbundling and trading of risks enables their redistribution from risk-averse market participants to more willing and arguably more able holders.

One concern with financial change stems from its potential to encourage excessive borrowing. Particular anxiety focuses on the rising U.S. debt/GNP ratio (see Chart 4). How far this rise derives from financial change, rather than demographic, income, or attitudinal factors, is hard to tell, still less whether it undermines financial stability: both corporate and household debt maturities have lengthened recently and household assets have risen even more sharply than debts. Nonetheless, assets and debts may not be well matched, leaving open the possibility that unexpected events could impair debt servicing.

On some other counts, innovation and deregulation, if poorly handled, may indeed risk the stability of the financial system. Thus, by reducing the profitability and quality of the bank-loan market, securitization adds to the contractionary forces on the traditional banking sector and complicates its orderly rationalization, for example, by merger or acquisition. Moreover, regulators, and even some market participants, are concerned that the prevailing pricing of some new financial instruments inadequately compensates banks and other participants for the risks they assume. To this point, however, difficulties have not occurred on such a scale as would put such claims of underpricing to definitive test. This month's drying-up of the perpetual floating-rate note market drives home the underappreciated point that holders of securitized assets cannot depend on ready salability of their securities on advantageous terms.

A clearer concern is that quicker communication, in conjunction with more efficient and complex markets, may transmit shocks more rapidly and widely than ever before. Even in the 1920s, and by some accounts still earlier, runs on banks, currencies, and stock markets proved internationally contagious. Today, foreign disturbances are far more likely to spill into domestic markets before authorities can react. Moreover, the long chains of both bank and nonbank counterparties involved in many financial transactions can be less than transparent and could make it difficult to limit the spread of defaults. These chains, in conjunction with ballooning transactions volume, carry potential for breakdown of the settlements system: large daylight overdrafts build up, yet participants cannot be monitored comprehensively and continuously by their fellows or the regulators.

To cope with risks and gain the necessary flexibility to expand in profitable markets, some banks and other financial institutions have moved of their own accord to build up their capital resources. Bank supervisors are encouraging such action on general grounds and, in some cases, by applying or proposing risk-based capital adequacy requirements; these endeavor to categorize on- and off-balance-sheet activities by degree of risk. However, much remains to be done to design appropriate requirements and impose them uniformly among both countries and financial institutions. Otherwise, "regulatory arbitrage" would lead to the supply of riskier products from jurisdictions where

Table 9

*Money supply: targets and outcomes**

growth rates in percent

		1983	1985	1986**
United States				
M1	*target*	4-8	4-7	3-8
	outcome	10	11.9	14.2
M2	*target*	7-10	6-9	6-9
	outcome	8.3	8.6	9.1
M3	*target*	6.5-9.5	6-9.5	6-9
	outcome	9.7	7.4	8.9
*Japan****				
M2+CDs	*outcome*	7.4	8.4	8.3
Germany				
CBM	*target*	4-7	3-5	3.5-5.5
	outcome	7.0	4.5	7.7
France				
M2,M2R	*target*	9	4-6	
	outcome	10.2	6.9	
M3R	*target*			3-5
	outcome			4.6
United Kingdom				
MO	*target*		3-7	2-6
	outcome		3.3	4.9
£M3	*target*	7-11	5-9	11-15
	outcome	9.5	16.5	18.4
M1	*target*	7-11		
	outcome	14.0		
PSL2	*target*	7-11		
	outcome	12.6		
Switzerland				
CBM	*target*	3.0	3.0	2.0
	outcome	3.6	2.2	1.9

*Blanks indicate that published targets were not set for the aggregate in question. Canada discontinued formal targeting in 1982. Italy has never undertaken formal targeting.

**Actual outcomes are the annual-rate percent changes from target base through October (except France, September). Target bases vary among countries and occasionally over time.

***Japan does not announce targets in advance; instead, roughly three weeks into each quarter, it announces a projection of money supply growth over the year ending in that same quarter.

the capital requirements are lightest and by institutions that escape the regulators' purview.

Uncertainties for monetary policy

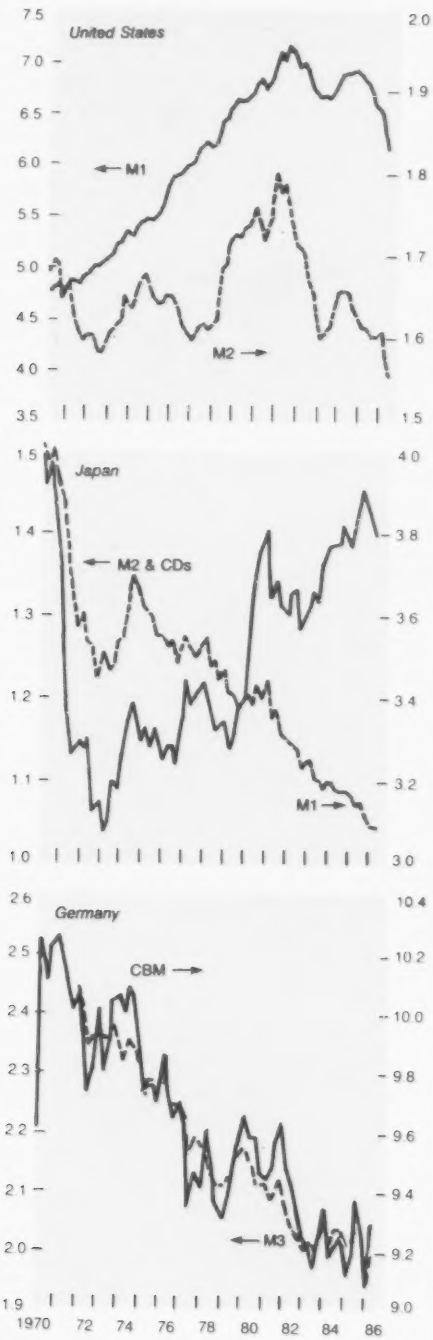
Whether or not they endanger system stability, there can be little question that the changes in financial markets complicate monetary policy. Innovation and deregulation facilitate substitution among domestic assets. Internationalization increases substitution among assets in different currencies. Both kinds of substitution alter the mechanism by which monetary policy affects the overall economy. A monetary tightening designed to slow economic activity tends to put upward pressure on exchange rates and reduce net exports. The costs are spread over a broad range of sectors, not merely the interest-sensitive, such as housing and inventory investment. Of itself, deregulation of interest rates may increase their required degree of variability to accomplish monetary policy purposes. However, easier domestic and international substitution should dampen interest rate movements, although at the expense of wider exchange rate swings.

Financial changes create thorny problems for the definition of money. They also render the demand for any monetary aggregate unpredictable, hindering policy judgment and contributing to the poor record of most countries in rationalizing and attaining target rates for money growth (see Table 9). In this decade of widespread obeisance to targeting, it is striking that the percentage of occasions on which targets have been missed has risen, compared with the 1970s' experience, and the extent of over- or undershooting has increased as well.

The pitfalls of monetary aggregate targeting are aptly depicted by the behavior of velocity — the frequency with which an average unit of money is spent, measured in practice by the ratio of nominal GNP to the money stock. Velocities vary widely among industrial economies and, within most, those of narrow and broad monies often diverge (see Chart 5). If velocity should fall, the money stock must rise commensurately to support a given level of nominal expenditure. In recent years, velocity has indeed come down in a number of industrial countries, reflecting declines in interest rates and inflation. This was to be expected, given the dwindling incentives either to economize on money balances or to favor nonfinancial assets over financial. In principle — if not with confidence in practice — these expected trends in velocity can be accommodated by adjusting monetary targets in light of experience.

Unexpected velocity trends are more devastating for targeting. Backed by a multitude of studies, U.S., U.K., and Canadian officials cite innovation and deregulation as significant and imperfectly quantifiable factors in velocity swings. They feel driven to an eclectic view that spans a wide array of data on economic activity, inflation, and exchange rates in making their policy decisions. Japanese officials, never rigid targeters, have demonstrated their own brand of eclecticism by cutting the discount rate three times this year despite concerns about money growth. But German officials continue to attach much importance to monetary targets in the face of the evidence of recent instability of the velocity of their favorite aggregate, Central Bank Money (CBM). If they attempt next year to rein in innovation-driven money growth, they may well depress economic activity already at risk from currency appreciation.

Chart 5
Money supply velocities
ratio of GNP to monetary aggregates



A stable framework

Financial innovation and internationalization seem certain to continue. Worldwide competition among financial institutions still is on the rise, providing strong incentive to innovate. Technology gains also will continue to lower transactions costs, sustaining the attractions of efficient cash management. Even if interest and inflation rates remain generally subdued, record external imbalances and the reduced costs of hedging imply continued strong demand for risk-management products. Besides, international portfolio diversification still is at an early stage for U.S. and Japanese investors and is sure to stimulate the demand for novel financial products.

Financial deregulation also will continue. Ongoing innovation will test existing regulations and increase competition among both domestic and foreign institutions. That should assuage past concerns of some observers about undue concentration in banking. Indeed, regulators may come to see that some of the risks posed by changing financial markets can be lessened by speedier deregulation. Recent concerns about widespread corporate takeover activity in the United States, accompanied by "junk" bond issuance and arbitrage trading, may be used to justify a slowing or outright reversal of financial deregulation. Such a response would be unfortunate, as regulation, particularly the Glass-Steagall Act, has been costly and is of questionable relevance to takeover activities. Instead, increased competition in the securities business, coupled with equal supervision of all participants, should help lessen fears of possible insider abuses.

U.S. restrictions on commercial banks' activities increasingly are recognized as hindering their competitive viability to the benefit only of other financial institutions or other countries' markets. Markets with fewer regulatory constraints will expand relative to those elsewhere. In addition, financial institutions will continue to press for a freer hand in world markets, where the price of admission — reciprocal or national treatment of foreign competitors at home — will necessitate less regulation, not more. Finally, international portfolio diversification will add to the constituencies opposed to regulatory regress.

Altogether, global financial change is practically unstoppable. Fortunately, there are very real benefits to be gained for world economic growth through free and innovative capital markets. But it is no easy task for bank managements, regulators, and macroeconomic policymakers to deliver the benefits without the attendant risks.

Bank managers' most urgent and important task is to understand fully the risks in their areas of business and put in place appropriate internal controls. As many realize, it is important not only to control individual risks but also to take account of correlations among them. Better understanding will help in pricing financial products and in judging the adequacy of capital. Banks of course can employ some of the new financial techniques to hedge their exposures and the new technology to help monitor their portfolios. It also is much in their interest to work with regulators and nonbank users of payments systems to reduce settlements risks.

Although regulators' main current concern is rightly that banks in general should strengthen their capital base, attention also should continue to focus on the evaluation of management skill and the level and quality of earnings. Moreover, contrary to some regulators' predilection for maintaining or tightening existing shackles, the removal of

Money supply velocities

ratio of GNP to monetary aggregates

*New series as of January 1978

limits on banks' efforts to diversify assets and revenues — both geographically and in different sectors of the financial industry — could lower the volatility of bank earnings. The securitization revolution amplifies the urgency of allowing banks to follow their best customers into the securities markets. Dismantling the present anticompetitive protection enjoyed by U.S. and Japanese securities houses would benefit investors and borrowers, while also allowing banks a fair crack at the potential profits from the underwriting and trading of corporate securities; in turn, such profits would help build up bank capital. Further, easier entry into various national and international markets would aid bank diversification and extend the benefits of innovation to a wider group.

Governments also can lessen systemic risks by rationalizing and coordinating the often-fragmented efforts of their regulatory agencies. Nonbank financial institutions should be required to engage in prudent behavior no less than banks, especially since these nonbanks are large users of payments systems and compete with banks in many markets. Moreover, as long as they escape equivalent capital requirements, whether for traditional or novel financial products, nonbanks enjoy an advantage over banks that does nothing to improve financial stability. Indeed, to the extent that uneven supervision encourages a shift of financial activity to a relatively lightly regulated branch of the financial sector, financial stability may be undermined. Similarly, regulation must be coordinated among countries, inasmuch as financial institutions and their clients are no slouches in discerning opportunities for "regulatory arbitrage." Central banks generally recognize the benefits of international coordination but are proceeding slowly, in part because of different legal and financial systems. They will have to move faster as deregulation goes ahead.

Besides leveling the playing field, across both institutions and markets, governments should be seeking to stabilize the turf. Fragmented capital markets and limited financing alternatives used to prevent large and long-lasting trade and current account imbalances among nations. Today, the coexistence of free international trade and capital movement demands that policymakers understand and accept their joint responsibility to limit international imbalances and sustain satisfactory economic growth.

The international monetary system displays a persistent asymmetry, assigning deficit countries the main burden of achieving external payments adjustment. After World War II, the U.S. government, given its expected surplus, resisted attempts to require surplus countries to adjust policies. By the early 1970s, Europeans had come to enjoy surpluses and rejected reforms to promote more symmetric adjustment, as then was advocated by a U.S. administration newly educated to the difficulties of dealing alone with deficits. Proponents of the floating exchange rates adopted as a last-resort substitute were disappointed by events. Governments felt they could not be indifferent to the fate of their currencies. And floating rates served less to balance trade or current accounts than to equilibrate supplies and demands for financial assets in different currencies.

Thus the outstanding issue for the international monetary system remains how best to assure that surplus and deficit countries share trade and current account adjustment burdens. Surplus countries rarely see the need to "mess with success." Yet if it is only deficit

countries that devalue their currencies and otherwise adjust, the upshot is a net deflationary bias in global macroeconomic policies. Sooner or later, surplus countries suffer slower economic growth, necessitating policy stimulus. Often — as Japan now is demonstrating, and probably Germany too — the stimulus is too little, too late. Of course, adjustment should not always be shared equally: when world inflation is a concern, contraction by deficit countries is appropriate; but when inflation appears dormant and world growth inadequate, as at present, it makes sense that surplus countries should expand domestic demand and pick up a good part of the adjustment burden.

One widely publicized reform proposal calls for the institution of explicit target zones for exchange rates. Unfortunately, as exemplified by the fruitless labors of the IMF's Committee of 20 in the early 1970s, reform falters whenever it seeks to specify predetermined targets for exchange rates or automatic rules for adjustment. Targets or rules cannot readily accommodate multiple objectives. Besides, policymakers are generally unwilling to be locked into automatic constraints and it is unclear that currency zones would do anything to elicit or strengthen governmental resolve. Either the zones would prove meaninglessly wide, doing little or nothing to promote the policy changes necessary for adjustment, or they would be set aside at the first sign of conflict with political priorities of the day. Most seriously, it makes little sense to focus narrowly on exchange rate relationships, to the exclusion of growth and inflation considerations, when the overriding issue is adjustment of international imbalances.

Instead, the imbalances themselves should be the focus of attention. And needed to manage them effectively is an executive body with specific and genuine commitment to international coordination. Since an intimate and informal atmosphere is essential for striking sensitive political deals among the major countries, it is crucial that membership of the executive group be kept small; too often, history has shown that outsize memberships frustrate constructive action. Still, to assure appropriate recognition of today's global interdependence in matters of economic growth, trade, and finance, the executive group should include representatives not only of industrial countries but also of the developing countries of Asia, Latin America, and the Middle East; a number of the LDCs are of fast-growing significance in world economic affairs, yet now have little global representation. At all events, the executive group's prime responsibility should be to agree on some current account guideposts — such as limiting imbalances to 1% or 2% of GNP — and then decide how best to correct larger imbalances. Members should examine "objective" indicators of economic performance, form a judgment of the required tilt of macro policies, and pressure one another for policy changes.

In sum, ways have to be found to ensure that the international monetary system accommodates freedom of both trade and finance. Securing that freedom requires discipline on the part of the leading economies and a substantially higher degree of international coordination than has been manifest in most of the postwar period. Policy coordination offers the only credible promise of a stable platform for the global financial system. Without it, the odds on instability would remain uncomfortably high, and both a world economic downturn and a new round of trade and capital restrictions could result. But by knocking heads for action on the part of both deficit

and surplus countries, the likelihood of stable, noninflationary economic growth would be vastly improved for the world as a whole and the benefits of today's global financial change would be more fully realized.

Statistical appendix

For key to data in tables see pages 22 and 23.

Effective exchange rates — industrial countries, 14

Real effective exchange rates — developing countries, 15

International banking market size, 15

International bond issues and bank credits, 16

Eurocurrency deposit rates, 17

International bond yields, 17

Central bank discount rates, 18

Day-to-day money rates, 18

Treasury bill rates, 19

Representative money market rates, 19

Commercial bank deposit rates, 20

Domestic government bond yields, 20

Commercial bank lending rates to prime borrowers, 21

Domestic corporate bond yields, 21

Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Effective exchange rates — industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
Nominal against 15 other industrial-country currencies																
1980	90.7	100.4	95.5	96.0	106.5	100.0	108.4	99.8	99.4	105.9	100.2	106.5	95.4	105.1	98.2	103.9
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1985	127.1	92.8	115.8	76.3	85.4	107.8	82.1	88.2	104.2	89.5	104.0	75.6	109.5	95.0	95.6	83.9
1986																
June	106.5	87.6	151.1	63.2	86.5	114.6	82.0	84.5	107.1	92.6	109.2	73.2	117.1	98.9	87.8	81.8
July	104.0	87.8	158.6	56.4	86.3	115.8	82.8	82.2	107.5	92.7	110.3	74.0	120.2	99.1	87.3	81.4
August	102.3	87.0	161.7	54.2	86.4	117.6	83.7	78.8	108.1	93.4	111.7	74.0	122.7	100.4	86.7	81.0
September	102.2	87.1	160.8	55.1	86.5	118.3	83.9	77.5	108.5	93.8	112.0	73.7	122.7	100.5	86.6	81.0
October	102.1	87.0	158.4	56.8	87.3	119.4	84.4	74.4	109.0	94.3	112.9	73.4	122.3	102.1	85.9	80.8
November	103.4	87.4	152.7	58.1	87.4	119.5	84.4	75.1	109.1	94.3	112.9	72.7	120.4	102.2	84.8	80.8
November 7	104.3	87.4	152.7	58.2	87.2	118.8	84.1	75.9	108.9	93.9	112.4	72.6	119.6	101.7	85.9	81.0
14	103.1	87.4	153.9	58.0	87.3	119.4	84.4	75.2	109.1	94.2	112.9	72.7	120.7	102.1	85.1	80.8
21	103.3	87.5	152.4	58.0	87.5	119.8	84.5	74.6	109.2	94.4	113.1	72.7	120.6	102.4	84.3	80.8
28	102.9	87.3	152.0	58.2	87.7	120.1	84.6	74.4	109.4	94.5	113.3	72.7	120.8	102.7	83.7	80.7
December 5	102.4	87.5	152.1	58.4	87.8	120.2	84.7	74.4	109.5	94.6	113.4	72.6	120.9	102.9	83.8	80.6
12	103.1	87.8	152.6	59.0	87.4	119.9	84.5	74.9	108.5	94.3	113.0	72.5	119.9	102.4	84.3	80.7
Real against 15 other industrial-country currencies																
1980	89.9	99.9	102.8	91.7	102.8	103.2	102.5	98.7	99.4	106.6	102.4	101.4	98.3	103.2	95.4	102.5
1981	100.8	99.5	104.8	102.6	100.0	96.9	96.9	102.5	99.4	101.4	97.1	99.6	98.7	96.9	101.3	101.9
1982	109.3	100.6	92.4	105.7	97.3	99.9	98.5	98.8	101.2	91.9	100.5	99.0	103.0	97.9	103.2	95.6
1983	112.7	102.6	96.8	101.9	94.7	101.0	101.1	93.1	102.0	88.6	100.8	88.9	105.1	100.4	102.0	90.7
1984	119.6	100.2	97.8	106.4	97.0	98.0	101.8	90.2	103.0	85.9	97.8	91.1	100.1	99.2	100.5	96.0
1985	122.4	96.5	96.6	89.4	100.4	96.7	100.2	92.8	103.3	85.3	96.6	93.3	97.9	101.2	99.5	96.9
1986																
June	102.1	93.3	120.3	80.1	101.7	102.3	101.7	91.6	105.9	84.3	100.6	95.4	105.0	107.0	95.5	96.1
July	99.8	93.6	125.3	72.5	101.8	103.9	102.6	89.3	106.3	84.0	99.4	96.6	108.2	106.7	95.7	95.8
August	98.1	93.2	127.3	69.9	101.6	105.2	104.0	85.7	106.8	84.4	101.4	98.3	109.9	108.4	94.9	95.8
September	97.6	93.6	126.8	71.1	101.2	105.4	104.7	84.4	107.1	84.7	102.8	98.0	110.3	108.9	96.6	95.9
October	98.3	93.0	123.8	73.7	101.7	106.2	105.7	81.2	107.5	84.9	104.3	97.6	110.4	110.8	95.7	95.0
November	99.6	93.5	118.8	75.9	101.6	106.1	105.7	82.0	108.1	84.8	104.4	97.3	108.5	111.0	95.2	95.4
Real against 18 other industrial-country and 22 LDC currencies																
1980	90.5	98.9	101.3	92.3	103.6	104.5	103.6	99.5	100.0	107.5	103.9	102.2	99.3	103.6	95.8	103 0
1981	99.8	99.4	104.7	102.5	99.5	96.2	98.2	102.0	98.9	100.9	96.6	98.9	98.0	98.7	101.3	101.6
1982	109.6	101.8	94.0	105.2	96.9	99.4	98.1	96.5	101.1	91.8	99.5	98.9	102.6	97.7	103.0	95.4
1983	114.9	104.6	100.4	102.1	94.4	100.6	100.8	93.0	102.1	88.2	99.5	89.2	105.1	100.3	101.9	90.9
1984	120.8	102.7	102.3	106.7	96.4	96.8	101.0	89.7	102.8	85.0	95.9	91.3	99.8	99.0	100.5	95.7
1985	124.0	99.3	101.6	90.1	100.0	95.8	99.7	92.3	102.9	84.5	94.8	94.0	97.8	101.2	99.8	96.8
1986																
June	107.4	94.4	125.1	82.0	102.1	103.1	102.9	92.2	106.5	84.6	100.3	97.6	106.4	107.5	96.3	96.7
July	105.5	94.5	130.0	74.4	102.3	104.8	103.9	90.0	107.1	84.4	99.3	99.1	109.9	107.2	96.6	96.5
August	104.1	94.0	131.8	72.0	102.3	106.6	105.6	86.7	107.9	85.1	101.5	101.1	112.2	109.0	95.9	96.6
September	103.9	94.4	131.9	73.7	102.2	107.0	106.4	85.6	108.3	85.5	103.1	100.9	112.8	109.6	97.6	96.8
October	104.8	93.8	129.1	75.9	102.8	108.1	107.6	82.4	108.9	85.8	104.8	100.8	113.2	111.5	96.6	95.9
November	106.1	94.5	124.0	77.9	102.7	107.9	107.6	83.3	109.4	85.7	104.9	100.3	111.2	111.7	96.2	96.4

Real effective exchange rates – developing countries

Index numbers, 1980-82 average=100.

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1980	115.2	83.8	94.4	93.5	102.6	92.1	90.1	99.4	88.5	97.8	95.0	92.1	97.2	101.6	92.1	99.4
1981	107.8	103.3	108.3	100.6	114.4	103.3	99.7	98.9	99.8	100.3	99.4	101.2	102.0	101.8	99.3	104.7
1982	77.0	112.9	97.3	105.9	82.9	104.6	110.2	101.6	111.7	101.9	105.6	106.7	100.8	96.6	108.6	96.0
1983	71.5	86.2	89.2	104.9	78.8	98.4	117.2	95.8	96.2	97.6	113.9	96.1	101.8	94.5	120.8	93.5
1984	80.1	85.7	90.1	99.6	91.8	105.8	86.0	100.2	96.8	96.5	119.7	107.9	102.4	97.1	119.5	91.1
1985	71.3	84.1	79.8	85.7	90.5	96.4	93.0	104.2	95.8	89.2	116.3	114.8	95.7	94.6	106.7	91.5
1986																
January	63.3	79.7	70.9	72.6	72.5	91.2	90.3	96.4	85.8	79.8	107.1	105.2	87.8	87.8	101.2	82.9
February	61.6	81.7	67.9	71.1	70.2	90.9	89.7	95.0	82.6	77.9	102.9	94.1	84.8	86.7	100.0	80.3
March	62.0	75.2	67.1	70.7	68.3	90.5	89.0	94.5	80.5	76.9	97.6	91.4	82.7	86.8	98.9	74.3
April	61.8	73.6	68.5	70.1	66.6	93.8	89.7	95.5	80.0	76.6	94.6	89.9	80.9	88.7	100.6	71.9
May	60.8	72.8	68.5	68.0	65.7	95.8	89.7	95.2	78.9	75.1	92.9	88.4	79.1	88.4	101.4	71.4
June	61.3	73.0	70.2	67.1	66.6	99.2	90.2	96.2	79.1	75.4	93.1	87.4	79.3	89.5	101.8	70.9
July	61.6	72.1	69.5	65.8	65.0	101.9	89.7	93.4	76.9	70.7	91.1	87.8	78.6	89.0	100.9	69.8
August	61.1	72.1	67.8	64.9	62.3	104.7	89.5	92.0	75.4	69.9	90.8	85.8	78.6	88.9	99.3	67.8
September	58.8	72.3	67.5	64.4	61.0	108.4	89.5	93.9	60.9	70.5	90.8	85.1	78.1	85.0	100.3	67.4
October	59.0	71.9	67.8	63.7	57.1	112.1	89.6	93.8	54.7	70.4	90.1	85.6	77.8	88.4	100.9	67.2
November	59.8	72.2	68.8	63.5	56.4	116.0	90.9	95.8	54.3	71.8	91.4	87.0	78.2	88.6	102.0	67.5

International banking market size

at end of period, billions of dollars

	1981	1982	1983	1984	1985			1986	
					Jun	Sep	Dec	Mar	Jun
Gross claims									
Eurocurrencies, on residents and nonresidents	**1 929**	**2 146**	**2 253**	**2 359**	**2 459**	**2 622**	**2 833**	**2 947**	**3 040**
On nonbanks	557	634	665	694	735	761	822	854	875
On banks	1 372	1 512	1 588	1 665	1 724	1 861	2 011	2 093	2 165
In dollars	1 504	1 694	1 797	1 894	1 924	2 002	2 101	2 138	2 166
In other currencies	425	452	456	465	535	620	732	809	874
Domestic currencies, on nonresidents	**365**	**398**	**398**	**402**	**422**	**451**	**506**	**535**	**578**
On nonbanks	128	132	136	142	150	165	187	186	201
On banks	237	266	262	260	272	286	319	349	377
In dollars	188	211	217	215	209	205	215	203	210
In other currencies	177	187	181	187	213	246	291	332	368
Total	**2 294**	**2 544**	**2 651**	**2 761**	**2 881**	**3 073**	**3 339**	**3 482**	**3 618**
On nonbanks	685	766	801	836	885	926	1 009	1 040	1 076
On banks	1 609	1 778	850	1 925	1 996	2 147	2 330	2 442	2 542
In dollars	1 692	1 905	2 014	2 109	2 133	2 207	2 316	2 341	2 376
In other currencies	602	639	637	652	748	866	1 023	1 141	1 242
Gross liabilities									
Eurocurrencies, to residents and nonresidents	**1 954**	**2 168**	**2 278**	**2 386**	**2 471**	**2 641**	**2 846**	**2 964**	**3 059**
To nonbanks	372	432	479	497	520	546	585	610	632
To official monetary institutions	112	91	88	96	106	109	112	106	109
To other banks	1 470	1 645	1 711	1 793	1 845	1 986	2 149	2 248	2 318
In dollars	1 539	1 741	1 846	1 950	1 969	2 045	2 147	2 166	2 204
In other currencies	415	427	432	436	502	596	699	798	855
Domestic currencies, to nonresidents	**263**	**250**	**260**	**290**	**310**	**341**	**377**	**394**	**418**
To nonbanks	74	70	73	80	89	103	114	121	121
To banks	189	180	187	200	221	238	263	273	297
In dollars	126	116	135	146	154	159	169	166	171
In other currencies	137	134	125	134	156	182	208	228	247
Total	**2 217**	**2 418**	**2 538**	**2 666**	**2 781**	**2 982**	**3 223**	**3 358**	**3 477**
To nonbanks	446	502	552	577	609	649	699	731	753
To banks and official institutions	1 771	1 916	1 986	2 089	2 172	2 333	2 529	2 627	2 724
In dollars	1 665	1 857	1 981	2 096	2 123	2 204	2 316	2 332	2 375
In other currencies	552	561	557	570	658	778	907	1 026	1 102
Net market size	**1 155**	**1 285**	**1 382**	**1 430**	**1 497**	**1 572**	**1 676**	**1 735**	**1 800**

International bond issues and bank credits

millions of dollars

	1983	1984	1985	1986			Jan-Oct	
				Aug	Sep	Oct	1986	1985
By country of borrower								
Industrial countries	**102 652**	**177 077**	**226 711**	**21 612**	**27 766**	**21 260**	**228 184**	**182 305**
Australia	5 737	5 816	14 407	1 117	2 257	2 811	16 040	9 439
Austria	1 290	2 254	2 435	193	584	199	3 281	2 247
Belgium	2 168	1 847	-3 269	142	531	651	4 767	2 142
Canada	8 571	13 124	17 184	1 699	1 130	1 037	14 989	14 511
Denmark	3 941	4 825	3 589	1 788	1 098	1 145	6 844	3 274
Finland	1 271	1 713	1 846	403	339	400	2 763	1 426
France	8 626	11 298	18 773	1 722	1 444	1 691	14 935	16 140
Germany	3 197	2 165	3 452	913	1 083	901	9 920	2 701
Greece	1 291	1 551	1 588	98	50	43	995	1 587
Ireland	1 869	1 377	1 881	590	100	500	3 808	1 371
Italy	4 876	6 933	11 033	248	1 314	347	11 146	9 241
Japan	14 428	17 526	21 269	2 428	2 913	3 662	28 586	18 433
Netherlands	1 213	1 973	2 299	310	395	317	2 999	1 762
New Zealand	802	3 208	2 707	909	455	1 194	6 332	1 894
Norway	1 969	1 324	3 905	1 301	356	752	5 312	3 153
Portugal	1 030	1 796	2 382	390	—	46	2 173	1 682
South Africa	1 300	1 422	825	—	—	—	—	825
Spain	4 977	4 931	3 913	50	1 237	609	6 050	3 542
Sweden	7 144	11 256	9 890	32	730	654	7 632	9 131
United Kingdom	2 726	8 899	25 424	2 932	6 759	508	24 067	19 632
United States	20 276	65 054	69 194	4 347	4 658	3 602	52 081	54 002
*Other**	3 950	6 785	5 447	—	338	192	3 472	4 169
Developing countries	**38 256**	**39 725**	**32 139**	**1 137**	**2 174**	**939**	**18 949**	**25 755**
Latin American countries	**15 592**	**17 464**	**8 115**	**146**	**291**	**335**	**2 421**	**5 703**
Argentina	1 750	4 212	3 700	—	—	—	17	3 700
Brazil	4 475	6 649	—	—	—	50	50	—
Chile	1 405	784	1 085	—	—	—	—	—
Colombia	552	589	1 052	39	—	—	89	52
Mexico	5 138	3 918	109	—	263	—	313	—
Venezuela	237	—	48	—	—	—	—	48
*Other***	2 035	1 312	2 121	107	28	285	1 952	1 903
Asian countries	**12 978**	**15 893**	**18 410**	**639**	**1 302**	**378**	**11 654**	**15 299**
India	968	945	818	85	130	45	994	504
Indonesia	2 363	1 924	451	—	—	—	1 008	451
Korea	4 387	6 201	5 898	50	70	—	2 637	5 216
Malaysia	2 197	2 605	2 220	—	543	—	1 306	1 754
Philippines	878	925	925	—	—	—	—	925
Thailand	747	1 221	1 497	—	—	—	1 016	1 101
Other	1 436	2 072	6 602	504	559	333	4 695	5 349
Middle Eastern and African countries	**9 686**	**6 368**	**5 614**	**352**	**580**	**226**	**4 873**	**4 753**
Algeria	1 993	821	1 450	52	—	—	996	1 300
Nigeria	2 343	985	—	—	—	—	—	—
Turkey	1 106	741	1 203	250	429	226	2 127	765
Other	4 244	3 821	2 960	50	152	—	1 751	2 688
Eastern European countries	**1 294**	**3 244**	**5 236**	**73**	**273**	**166**	**3 746**	**4 223**
Hungary	741	1 386	1 578	73	—	166	1 315	1 162
Soviet Union	93	1 051	1 489	—	223	—	1 521	1 191
*Other****	460	807	2 169	—	50	—	910	1 869
International organizations***	**16 201**	**13 287**	**20 635**	**833**	**1 770**	**1 663**	**15 474**	**17 612**
By type of instrument and currency								
International bond issues	**76 329**	**107 411**	**167 756**	**18 281**	**25 391**	**19 952**	**194 075**	**138 421**
Eurobonds	48 501	79 458	136 731	16 622	22 310	15 729	163 408	112 634
U.S. dollar	38 428	63 593	97 782	12 205	14 229	11 023	102 696	81 052
German mark	3 817	4 604	9 491	1 076	1 543	1 377	15 570	6 480
British pound	1 947	3 997	5 766	739	1 558	144	10 164	4 602
Japanese yen	212	1 212	6 539	991	3 178	1 736	15 802	5 462
European composite units	2 019	3 032	7 038	259	271	162	5 508	6 126
Other	2 078	3 020	10 114	1 352	1 535	1 288	13 669	8 912
Foreign bonds	27 828	27 953	31 025	1 660	3 081	4 223	30 667	25 760
U.S. dollar	4 545	5 487	4 655	—	250	300	3 364	4 032
German mark	2 671	2 243	1 741	—	—	—	—	1 372
British pound	811	1 292	958	—	—	—	321	674
Swiss franc	14 299	12 626	14 954	1 390	1 875	3 169	19 650	11 947
Japanese yen	3 772	4 628	6 379	111	351	359	4 072	5 962
Other	1 730	1 677	2 339	159	606	395	3 259	1 799
International bank credits	**82 074**	**125 922**	**116 964**	**5 373**	**6 591**	**4 076**	**72 278**	**91 475**
Eurocurrency credits	74 222	112 605	110 317	4 626	5 462	3 635	65 628	86 419
Foreign credits	7 852	13 317	6 648	747	1 129	441	6 651	5 056
Total	**158 403**	**233 333**	**284 720**	**23 654**	**31 982**	**24 028**	**266 353**	**229 896**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1983	1984	1985	1986						
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov
Eurodollar										
overnight	9.50	8.63	12.25	6.81	8.25	6.25	5.88	5.88	5.75	6.06
one month	9.69	8.38	8.00	7.00	6.88	6.38	5.69	6.00	5.81	6.25
three months	9.81	8.63	7.88	7.00	6.75	6.38	5.56	6.00	5.81	6.00
six months	10.06	9.13	7.88	7.06	6.75	6.38	5.56	6.00	5.81	5.94
twelve months	10.38	9.81	7.94	7.25	6.81	6.50	5.69	6.19	5.88	6.00
Euro-Canadian dollar										
one month	9.13	9.88	9.00	8.38	8.06	8.06	8.06	7.94	8.06	8.19
three months	9.50	10.81	9.00	8.44	8.38	8.31	8.13	8.19	8.31	8.31
six months	9.75	10.06	9.00	8.50	8.56	8.50	8.50	8.50	8.50	8.19
twelve months	10.00	10.44	9.00	8.75	8.75	8.75	8.63	8.75	8.69	8.56
Euro-French franc										
one month	12.13	10.69	12.50	7.31	7.25	7.13	7.13	7.38	7.38	7.56
three months	12.19	10.69	13.00	7.31	7.31	7.19	7.25	7.88	7.19	8.19
six months	12.31	11.00	13.13	7.31	7.31	7.25	7.31	7.75	7.88	8.37
twelve months	12.63	11.38	12.25	7.50	7.38	7.31	7.38	8.63	7.88	8.37
Euromark										
one month	5.25	5.50	4.75	4.56	4.44	4.63	4.44	4.50	4.44	4.69
three months	5.88	5.50	4.75	4.56	4.50	4.56	4.31	4.50	4.50	4.62
six months	6.13	5.56	4.75	4.63	4.56	4.56	4.31	4.56	4.56	4.69
twelve months	6.38	5.56	4.81	4.75	4.63	4.63	4.31	4.63	4.63	4.69
Euro-Dutch guilder										
one month	5.81	5.69	5.75	6.13	6.25	5.56	5.25	5.31	5.31	5.81
three months	6.00	5.75	5.75	5.81	6.06	5.44	5.13	5.25	5.31	5.69
six months	6.25	5.81	5.81	5.63	5.81	5.38	5.06	5.25	5.31	5.56
twelve months	6.38	5.94	5.88	5.63	5.75	5.38	5.06	5.25	5.31	5.56
Euro-Swiss franc										
one month	3.38	4.44	3.88	4.88	5.00	4.63	4.19	3.81	2.94	3.87
three months	3.75	4.56	4.00	4.69	5.06	4.63	4.13	4.06	3.75	3.87
six months	3.94	4.63	4.00	4.56	4.88	4.63	4.13	4.06	3.75	3.87
twelve months	3.94	4.69	4.06	4.44	4.75	4.63	4.13	4.06	3.81	3.87
Eurosterling										
one month	9.13	9.50	11.69	10.00	10.06	9.94	10.00	10.50	10.81	11.06
three months	9.31	9.88	11.81	9.81	9.81	9.94	9.81	10.19	11.13	11.37
six months	9.50	10.00	11.81	9.69	9.69	9.88	9.63	10.75	11.13	11.37
twelve months	9.81	10.19	11.69	9.44	9.63	9.94	9.56	10.81	11.06	11.37
Euroyen										
one month	6.25	6.19	7.13	4.75	4.69	4.75	5.13	4.94	4.25	4.62
three months	6.31	6.19	6.56	4.75	4.88	4.75	4.75	4.88	4.56	4.50
six months	6.38	6.13	6.50	4.81	4.63	4.69	4.63	4.88	4.56	4.50
twelve months	6.44	6.13	6.38	4.88	4.63	4.69	4.63	4.88	4.56	4.50
European currency unit										
one month	8.81	9.25	9.63	7.31	7.38	7.25	7.25	7.25	7.44	7.56
three months	9.19	9.38	9.63	7.31	7.31	7.19	7.06	7.25	7.56	7.62
six months	9.44	9.50	9.63	7.31	7.25	7.19	6.88	7.25	7.50	7.62
twelve months	9.63	9.63	9.63	7.13	7.25	7.13	6.88	7.25	7.50	7.56

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month

	1984	1985	1986							
	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States companies										
Eurodollar	11.25	9.68	8.93	9.27	9.09	8.97	8.60	9.04	8.76	8.71
Euromark	6.95	6.73	6.62	6.74	6.65	6.55	6.55	6.73	6.66	6.63
Swiss franc	5.73	5.49	5.65	5.62	5.63	5.56	5.63	5.65	5.67	5.73
European governments										
Eurodollar	12.04	10.52	9.86	10.18	10.00	9.97	9.73	9.92	9.85	9.81
Euromark	7.39	7.03	6.82	6.92	6.95	6.81	6.64	6.63	6.78	6.88
Swiss franc	5.24	4.91	4.69	4.69	4.76	4.73	4.66	4.61	4.57	4.58
European currency unit	10.64	10.23	10.18	10.20	10.31	10.02	10.17	10.23	10.49	10.55

Central bank discount rates

at or near end of month

	1983	1984	1985	1986					Current	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec 11 1986	effective since
United States	8.50	8.00	7.50	6.00	5.50	5.50	5.50	5.50	5.50	Aug 21, 86
Canada	9.96	10.09	9.49	8.51	8.58	8.60	8.55	8.49	8.47	Dec 11, 86
Austria	3.75	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Aug 19, 85
Belgium	10.00	11.00	9.75	8.00	8.00	8.00	8.00	8.00	8.00	May 29, 86
Denmark	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.50	9.50	9.00	7.00	7.00	7.00	7.00	7.00	7.00	May 19, 86
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	4.00	4.50	4.00	3.50	3.50	3.50	3.50	3.50	3.50	Mar 7, 86
Ireland	12.25	14.00	10.25	10.00	10.00	10.00	13.25	13.25	13.25	Oct 24, 86
Italy	17.00	16.50	15.00	12.00	12.00	12.00	12.00	12.00	12.00	May 27, 86
Netherlands	5.00	5.00	5.00	4.50	4.50	4.50	4.50	4.50	4.50	Mar 7, 86
Norway	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	25.00	25.00	19.00	14.50	14.50	14.50	14.50	14.50	14.50	Jun 30, 86
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	8.50	9.50	10.50	8.00	8.00	7.50	7.50	7.50	7.50	Sep 19, 86
Switzerland	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	9.00	9.38	11.31	9.81	9.81	9.81	10.81	10.81	10.81	Oct 15, 86
Japan	5.00	5.00	5.00	3.50	3.50	3.50	3.50	3.00	3.00	Nov 1, 86
New Zealand	7.50	13.50	19.80	16.60	16.60	15.70	16.50	n.a.	17.40	Nov 13, 86
South Africa	18.50	21.75	13.50	11.50	11.00	10.50	10.50	10.50	10.00	Dec 10, 86
Argentina*	15.10	18.19	5.00	6.68	8.79	9.79	10.59	10.59	10.59	Oct 22, 86
Korea	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	Jul 10, 86
Philippines	8.05	12.11	11.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Jun, 86
Singapore	7.00	6.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Jul, 85
Thailand	13.00	12.00	11.00	9.00	9.00	8.00	8.00	8.00	8.00	Sep 1, 86
Venezuela	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	Mar, 85

*Percent per month.

Day-to-day money rates

monthly averages

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	9.47	8.38	8.27	6.98	6.85	6.91	6.55	6.16	5.92	5.84	5.64
Canada	8.78	10.50	9.23	9.58	8.41	8.19	8.38	8.10	8.10	8.38	8.52
Austria	5.75	7.63	7.25	4.75	4.88	4.88	5.13	5.13	5.50	5.37	5.00
Belgium	7.39	9.12	6.60	8.67	6.44	5.18	6.34	6.37	5.76	6.36	6.00
Finland	16.70	15.07	11.96	11.20	12.02	10.83	10.80	24.17	13.86	11.93	11.80
France	12.27	10.95	9.01	8.18	7.38	7.22	7.28	7.05	7.08	7.31	7.31
Germany	5.61	5.62	4.64	4.76	4.30	4.39	4.61	4.51	4.38	4.38	4.58
Ireland	12.19	14.50	9.62	12.63	10.50	9.50	9.63	9.75	9.63	11.00	13.13
Italy	17.88	17.25	14.75	15.02	13.06	12.34	12.11	11.78	11.25	10.98	9.67
Netherlands	5.84	5.60	5.75	5.49	6.69	6.06	6.13	5.56	5.31	5.38	5.60
Norway	12.30	12.50	12.40	13.50	17.00	14.00	14.00	14.00	14.00	14.00	n.a.
Spain	16.98	12.18	9.92	12.20	12.04	12.03	12.26	12.34	11.58	11.68	11.69
Sweden	11.52	11.88	11.83	11.65	11.30	9.88	9.56	9.52	8.92	10.00	10.00
Switzerland	1.88	1.50	2.00	2.25	2.00	1.75	2.25	2.00	2.00	1.00	1.00
United Kingdom	7.78	8.31	9.72	8.96	8.55	10.53	8.98	8.70	8.06	11.19	10.73
Australia	4.55	10.98	18.37	15.06	12.31	13.20	13.43	16.42	17.22	17.13	16.47
Japan	6.44	6.41	8.02	4.70	4.21	4.39	4.50	4.55	4.60	4.37	3.77
South Africa	16.06	21.13	12.50	12.00	10.63	10.69	10.75	9.81	9.63	9.63	8.87
Argentina*	14.65	17.75	4.50	4.50	4.50	5.00	5.00	7.00	6.00	7.00	7.00
Brazil	184.69	272.02	352.23	16.64	15.50	18.30	25.93	35.60	45.58	44.24	n.a.
Hong Kong	13.90	6.80	6.10	7.81	6.02	6.91	5.95	5.64	4.93	3.21	n.a.
Korea	11.40	10.00	8.80	11.00	10.30	10.00	10.60	9.30	9.50	9.30	9.30
Philippines	31.18	15.22	15.03	15.62	12.43	11.61	10.16	n.a.	n.a.	n.a.	n.a.
Singapore	7.05	6.01	4.53	4.82	5.07	4.49	3.73	3.95	2.26	2.47	2.62
Taiwan	7.65	8.07	4.50	3.75	3.50	4.53	3.50	3.50	3.50	3.50	3.60

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	9.28	7.99	7.25	6.24	6.45	6.13	5.93	5.23	5.30	5.25	5.44
Canada	9.71	9.84	9.24	9.02	8.33	8.59	8.26	8.33	8.35	8.30	8.24
Belgium	11.00	10.90	9.89	8.36	7.71	7.45	7.45	7.45	7.45	7.48	7.35
Ireland	12.01	15.10	11.15	9.69	8.76	9.16	10.13	10.65	10.61	13.34	13.74
Italy	16.29	14.19	12.70	12.03	10.93	10.50	10.44	10.13	9.49	9.64	n.a.
Netherlands	5.63	5.88	5.69	6.88	6.50	5.88	5.75	4.75	5.63	5.38	5.81
Spain	14.46	12.00	9.25	9.25	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Sweden	11.75	11.83	12.49	10.19	9.90	9.85	9.29	9.25	8.66	8.44	9.05
United Kingdom	9.04	9.33	11.49	10.09	9.56	9.52	9.76	9.56	9.93	10.85	10.96
Australia	8.54	12.27	19.40	12.84	12.78	12.38	14.98	17.20	17.51	16.18	15.49
Japan	4.91	4.91	4.91	3.39	3.39	3.39	3.39	3.39	3.39	3.39	3.39
New Zealand	7.80	13.50	17.62	20.41	17.34	15.64	16.75	n.a.	n.a.	n.a.	n.a.
South Africa	18.43	21.94	12.99	11.58	11.02	10.75	10.22	9.51	9.20	9.17	8.62
Brazil	179.15	273.03	379.77	16.79	15.90	18.60	26.30	36.00	42.00	45.00	33.00
Mexico	53.78	48.67	72.98	80.84	80.74	88.50	n.t.	n.t.	n.t.	n.t.	103.77
Philippines	15.99	47.14	16.45	19.65	15.79	14.67	14.59	n.a.	n.a	n.a.	n.a.
Singapore	2.59	2.91	2.94	2.58	2.35	2.42	2.54	2.15	2.01	1.99	1.93

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	9.89	8.34	8.01	7.17	6.69	6.80	6.39	5.65	5.96	5.81	5.79
Canada	9.87	10.10	9.45	8.85	8.65	8.65	8.55	8.35	8.50	8.50	8.35
Belgium	11.15	10.85	9.89	8.11	7.71	7.40	7.40	7.40	7.35	7.35	7.40
France	12.19	10.69	9.12	7.50	7.24	7.24	7.25	7.13	7.43	7.50	n.a.
Germany	6.30	5.75	4.80	4.60	4.60	4.55	4.65	4.30	4.40	4.60	4.65
Ireland	12.19	15.13	12.00	10.75	10.25	9.25	10.75	10.63	11.25	14.00	14.44
Italy	17.88	16.88	15.13	12.75	12.13	12.25	11.38	11.00	n.a.	n.a.	n.a.
Netherlands	6.00	5.75	5.75	5.56	6.00	6.19	5.56	5.25	5.44	5.44	5.81
Portugal	24.11	24.57	20.71	17.76	17.07	16.69	15.95	n.a.	n.a.	n.a.	n.a.
Spain	19.00	12.21	10.51	12.27	11.63	12.06	12.51	12.18	11.53	11.41	11.52
Switzerland	3.88	5.00	4.75	4.50	4.69	5.50	4.88	4.25	4.25	4.19	4.00
United Kingdom	9.31	9.88	12.75	10.13	9.69	9.75	9.88	9.63	10.38	11.13	11.44
Australia	9.05	12.90	19.75	16.10	14.85	14.80	15.10	17.70	17.85	16.45	15.85
Japan	6.45	6.33	7.03	4.53	4.66	4.64	4.65	4.53	4.75	4.54	n.a.
New Zealand	11.75	15.00	20.00	21.30	16.10	17.10	16.80	16.30	16.50	16.50	16.50
South Africa	19.12	22.78	13.35	11.95	11.25	10.80	10.55	9.35	9.55	9.65	8.90
Chile	20.68	20.68	22.42	19.56	12.68	14.03	15.39	11.35	12.68	20.98	n.a.
Hong Kong	14.88	8.25	6.50	7.81	6.02	6.75	6.31	5.00	5.25	4.38	n.a.
Indonesia	19.50	19.00	15.00	16.50	16.00	15.00	15.00	14.00	14.50	14.25	14.50
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.80	10.30	8.20	15.00	9.80	10.00	9.80	11.75	12.00	9.50	6.70
Philippines	15.61	33.21	14.61	19.32	14.57	12.28	12.47	n.a.	n.a.	n.a.	n.a.
Singapore	8.44	7.00	5.88	4.94	5.06	4.88	4.31	3.94	3.25	2.94	3.19
Taiwan	8.07	7.85	4.10	3.99	3.58	3.68	3.27	2.81	2.65	2.65	2.80
Thailand	16.00	12.00	15.50	10.00	9.50	8.50	8.00	8.00	7.50	7.50	7.75

Commercial bank deposit rates

at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	9.70	8.35	7.75	6.55	6.82	6.65	6.33	5.47	5.80	5.75	5.78
Canada	9.82	10.05	9.40	8.80	8.60	8.60	8.50	8.30	8.45	8.45	8.30
Austria	6.50	7.50	6.50	4.88	5.19	5.13	5.13	5.13	5.75	5.62	5.37
Belgium	11.25	10.63	9.63	8.13	7.31	7.19	7.25	7.19	7.25	7.31	7.37
Denmark	6.00	6.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.25	5.25	4.75	3.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
France	7.66	7.04	6.12	5.72	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany	5.90	5.25	4.40	4.35	4.35	4.35	4.45	4.45	4.40	4.50	4.60
Ireland	11.75	14.63	11.87	10.75	10.00	10.00	10.00	10.00	10.50	12.00	14.13
Italy	13.25	11.64	11.85	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a
Netherlands	6.13	5.69	5.81	5.44	5.88	6.06	5.44	5.19	5.31	5.31	5.69
Norway	12.75	12.75	12.00	12.25	12.25	13.00	13.00	13.00	13.00	13.00	n.a.
Portugal	21.50	28.00	20.00	18.50	18.50	15.50	15.50	15.50	15.50	n.a.	n.a.
Spain	12.62	11.64	9.64	9.42	9.20	9.04	8.89	8.89	8.78	8.75	n.a.
Sweden	11.70	11.45	12.18	10.65	10.60	10.10	9.80	9.70	9.27	8.83	9.85
Switzerland	3.50	4.50	4.50	4.25	4.44	5.25	4.63	4.00	4.00	3.94	3.75
United Kingdom	9.31	9.88	11.75	10.13	9.69	9.63	9.88	9.63	10.37	11.13	11.25
Australia	10.40	12.75	18.80	14.68	14.21	14.00	14.46	16.68	17.82	16.71	15.76
Japan	6.40	6.38	7.05	4.80	4.90	4.65	4.70	4.80	4.95	4.63	4.59
New Zealand	11.75	15.25	19.98	20.16	16.42	15.10	16.47	16.57	15.50	16.60	19.00
South Africa	20.13	22.88	13.20	12.00	11.40	11.00	10.80	9.75	9.50	9.75	9.25
Argentina*	14.50	31.23	5.40	4.34	4.25	4.28	4.48	6.18	6.94	7.65	7.97
Brazil	23.00	27.00	18.00	21.50	26.00	29.00	30.00	42.00	44.00	49.00	85.00
Chile	20.57	20.68	23.60	19.98	13.62	15.94	16.49	13.62	16.49	20.70	n.a.
Hong Kong	14.88	8.25	6.50	7.81	6.02	6.75	6.31	5.00	5.25	4.38	n.a.
Korea	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	7.75	9.58	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.50
Mexico	57.15	47.45	72.90	80.20	80.00	85.50	87.50	87.50	94.30	94.30	94.30
Philippines	14.96	31.01	12.34	12.37	14.63	11.56	10.12	n.a.	n.a.	n.a	n.a.
Singapore	7.44	6.13	5.26	4.76	4.94	4.82	4.26	3.88	3.19	2.88	3.13
Taiwan	7.00	6.50	5.25	4.50	4.50	4.50	4.50	4.25	4.50	4.00	4.00
Thailand	10.00	13.00	10.50	8.50	8.50	8.50	7.50	6.75	6.75	6.75	6.75
Venezuela	12.00	12.50	8.00	8.00	8.00	9.00	9.00	9.00	8.00	8.00	8.00

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	12.00	11.61	9.49	7.70	8.37	7.79	7.88	7.51	7.95	7.81	7.69
Canada	12.02	11.66	10.04	9.32	9.52	9.42	9.36	9.16	9.44	9.53	9.26
Austria	8.02	8.04	7.61	9.00	7.14	7.19	7.20	7.11	7.06	7.25	7.36
Belgium	11.89	11.56	9.60	7.46	7.93	7.86	7.47	7.24	7.36	7.31	n.a.
Denmark	12.96	14.60	9.67	8.63	10.17	10.17	10.64	11.24	11.11	11.16	11.80
Finland	11.16	10.73	10.58	8.89	8.27	8.27	8.25	8.15	7.75	7.90	7.74
France	13.96	12.70	11.33	8.53	8.58	8.65	8.55	8.05	8.51	8.97	n.a.
Germany	8.38	7.17	6.57	5.78	6.31	6.17	6.07	5.95	6.26	6.44	6.33
Ireland	14.25	14.90	11.84	8.57	9.17	9.31	10.33	n.a.	12.46	13.65	13.49
Italy	17.69	14.52	13.66	12.27	10.87	10.83	11.06	10.81	10.43	10.26	n.a
Netherlands	8.58	7.72	6.96	6.15	6.39	6.38	6.22	6.03	6.04	6.22	6.30
Norway	12.50	12.00	13.10	12.80	12.80	13.10	13.42	13.40	13.40	13.40	n.a.
Portugal	22.11	22.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	17.25	13.93	12.30	12.06	11.35	10.98	11.52	11.52	11.10	10.15	10.29
Sweden	12.30	12.04	12.11	9.81	10.06	9.79	9.76	9.63	9.49	9.31	10.35
Switzerland	4.53	4.60	4.42	4.24	4.39	4.43	4.39	4.26	4.26	4.19	4.16
United Kingdom	9.94	10.25	10.35	8.73	9.11	9.32	9.45	9.31	10.31	10.40	10.58
Australia	13.65	13.50	14.85	12.25	12.65	12.95	14.02	14.10	13.85	13.60	13.60
Japan	7.45	6.47	5.92	4.79	5.57	4.90	4.83	4.57	4.65	4.95	n.a
New Zealand	10.50	16.90	17.00	16.80	15.50	15.40	16.20	15.90	15.35	15.20	16.00
South Africa	13.64	16.55	18.09	17.40	17.09	16.99	16.00	14.03	15.24	15.83	14.13
Philippines	14.47	18.54	n.t.	n.t.	n.t.	n.t.	n.t.	n.a.	n.a.	n.a.	n.a
Venezuela	13.50	14.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	11.00	10.75	9.50	8.50	8.50	8.50	8.00	7.50	7.50	7.50	7.50
Canada	11.00	11.25	10.00	11.25	10.25	10.25	9.75	9.75	9.75	9.75	9.75
Austria	9.25	9.25	9.00	9.25	9.25	9.00	9.00	9.00	9.00	9.00	9.00
Belgium	13.75	14.00	11.50	10.50	10.50	9.75	9.75	9.75	9.75	9.75	9.75
Denmark	10.00	10.50	8.50	7.50	7.50	7.50	7.50	8.00	8.00	8.00	8.00
Finland	10.18	10.68	10.37	9.49	8.78	8.82	8.76	8.79	8.77	8.75	n.a.
France	12.25	12.00	10.60	10.10	9.60	9.60	9.60	9.60	9.45	9.45	9.45
Germany	7.75	7.75	7.25	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Ireland	13.75	15.75	12.50	14.50	13.50	12.25	12.25	12.25	12.25	15.75	15.75
Italy	18.75	18.00	15.88	15.25	14.50	13.50	13.50	13.50	13.00	13.00	13.00
Netherlands	7.00	6.25	6.25	6.00	7.00	6.75	6.50	5.88	5.88	5.88	6.12
Norway	13.50	13.00	12.40	13.75	14.75	15.50	15.25	15.25	15.75	15.88	n.a.
Portugal	30.00	29.00	22.50	21.00	21.00	18.00	18.00	18.00	18.00	n.a.	n.a.
Spain	17.31	15.84	14.75	14.52	14.50	14.44	14.37	14.36	14.29	14.25	14.23
Sweden	13.50	14.50	15.05	12.75	12.75	12.75	12.75	12.75	11.50	11.50	11.50
Switzerland	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75
United Kingdom	9.00	9.50	11.50	10.50	10.00	10.00	10.00	10.00	10.00	11.00	11.00
Australia	12.75	14.00	21.00	19.00	18.25	18.00	17.25	18.50	19.00	19.00	18.45
Japan	5.89	5.70	5.71	5.18	4.95	4.71	4.57	5.24	5.24	n.a.	n.a.
New Zealand	11.00	14.00	21.00	22.00	21.00	18.00	17.00	16.50	17.00	17.00	18.50
South Africa	20.00	24.00	16.50	15.50	14.50	14.50	14.50	14.00	13.50	13.50	13.50
Argentina*	15.50	32.05	7.30	4.80	5.52	5.35	5.57	7.70	8.62	8.70	8.85
Brazil	24.00	31.00	19.00	22.50	26.00	29.00	32.00	44.00	46.00	51.00	88.00
Chile	30.90	60.82	33.34	31.99	30.60	29.38	28.77	26.38	23.51	27.20	n.a.
Hong Kong	13.50	11.00	7.00	8.00	7.50	7.50	7.50	6.50	6.50	6.50	6.50
Indonesia	19.75	23.50	18.75	19.50	19.00	19.00	18.75	18.75	18.75	18.25	18.25
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	11.00	12.00	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Mexico	56.44	47.54	65.66	73.48	75.02	76.97	81.36	84.40	87.72	91.48	94.19
Philippines	18.00	44.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	8.98	9.40	7.20	7.15	7.15	7.15	7.05	6.83	6.45	6.28	6.10
Taiwan	10.25	10.00	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Thailand	16.00	16.50	15.50	14.00	14.00	14.00	12.75	12.00	12.00	12.00	12.00
Venezuela	16.00	16.00	13.00	13.00	13.00	14.00	14.00	14.00	13.00	13.00	13.00

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
United States	12.63	12.25	10.15	9.00	9.20	9.00	9.25	8.63	9.00	9.00	8.88
Canada	12.89	12.42	10.74	12.24	10.35	10.10	10.19	10.00	10.32	10.39	n.a.
France	14.35	12.94	11.76	9.82	9.44	9.85	9.12	8.37	8.92	9.36	n.a.
Germany	8.30	7.20	6.90	6.60	6.40	6.50	6.60	6.40	6.30	6.40	n.a.
Netherlands	8.51	7.51	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Norway	13.25	12.75	14.00	14.00	14.00	14.25	14.90	15.00	15.50	15.50	n.a.
Spain	20.07	18.32	14.92	13.91	13.99	13.71	13.22	13.68	13.38	13.24	13.48
Sweden	12.21	12.33	13.25	10.93	11.20	11.04	10.88	10.99	10.82	10.77	11.72
Switzerland	4.92	5.09	4.93	4.96	4.77	4.83	4.84	4.77	4.77	4.73	4.71
United Kingdom	11.57	11.64	11.47	9.80	10.05	10.32	10.49	10.34	11.58	11.48	11.71
Japan	7.09	6.21	6.90	5.14	5.20	5.14	4.74	5.14	n.a.	n.a.	n.a.
Korea	14.20	15.00	13.60	12.40	12.80	12.80	12.90	12.80	12.80	12.80	12.80
Venezuela	18.00	18.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00

Key to data in tables

I. International markets

Data on the *international banking market size* are based on resident and nonresident Eurocurrency (i.e., foreign currency) assets and liabilities and on nonresident domestic currency assets and liabilities of banks in nearly all European countres, the Bahamas, Bahrain, Canada, Cayman Islands, Hong Kong, Japan, Netherlands Antilles, Panama, Singapore, and the United States. All assets and liabilities of international banking facilities (IBFs) of banks in the United States are treated as Eurocurrencies.

An *international bond issue* may be either a Eurobond issue or a foreign bond issue. A *Eurobond issue* is one placed principally in countries other than that of the currency in which the bond is denominated, usually through an international syndicate. A *foreign bond issue* is one issued by a nonresident borrower on the market of a single country and denominated in that country's currency. Data on new international bond issue volume include all publicly announced issues of straight bonds, convertibles, bonds with warrants, floating rate notes, and certificates of deposit with an original maturity of three years or more (one year or more beginning in 1985), whether publicly or privately placed.

An *international bank credit* may be either a Eurocurrency credit or a foreign credit. A *Eurocurrency credit* is one denominated in a currency that is foreign to the country of the bank office extending the credit. *A foreign credit* is one extended to a nonresident borrower and denominated in the domestic currency of the country in which the bank office extending the credit is located. Data on new international bank credit volume include all publicly announced bank credits with an original maturity of one year or more (term loans, revolving lines of credit, and facilities to back up the issuance of other financial instruments such as commercial paper, short-term notes, certificates of deposit and banker's acceptances).

Data on international bond issues and bank credits through 1984 were compiled by Morgan Guaranty Trust Company. Beginning in January 1985 these data are based on figures published in the OECD's *Financial Statistics Monthly*.

II. Domestic markets

Central bank discount rates

Rates shown are the official discount rates with the exception of:

Ireland — Short Term Facility rate.

South Africa — discount rate for 90-day banker's acceptances.

United Kingdom — rate of discount for outright purchases of 15- to 33-day bank bills.

Day-to-day money rates

Argentina—7-day interbank money regulated by the central bank.

Austria — day-to-day interbank rate.

Australia — effective interest rate in the official short-term money market.

Belgium — day-to-day loan rate in the call money market.

Brazil — interbank overnight money.

Canada—chartered banks' day-to-day loans.

Finland — Bank of Finland call money.

France — interbank call money against private paper.

Germany — interbank call money.

Hong Kong — interbank 24-hour call rate.

Ireland — interbank call money.

Italy — interbank 48-hour call money.

Japan—Tokyo interbank call money, unconditional lenders rate.

Korea — overnight interbank call money.

Netherlands — open-market call money.

Norway — day-to-day interbank rate.

Philippines — interbank call loan rate.

Singapore — interbank overnight money.

South Africa — discount houses basic call rate.

Spain — day-to-day interbank rate.

Sweden — interbank call money.

Switzerland — call money.

Taiwan — private interbank overnight loan rate.

United Kingdom — call money.

United States — federal funds rate.

Treasury bill rates

Australia — 13-week Treasury notes at tender.

Belgium — new issue of 3-month Treasury certificates.

Brazil — 3-month Treasury bills.

Canada — 3-month Treasury bills at tender.

Ireland — 3-month central bank exchequer bills at tender.

Italy — 6-month Treasury bills.

Japan — 60- to 62-day noninterest-bearing discount government bills.

Mexico — 3-month Federal Treasury bills.

Netherlands — 3-month Treasury bills.

New Zealand — tap issue rate for 3-month Treasury bills until December 1984. As of January 1985, 3-month Treasury bills at tender.

Philippines — simple average of 91-day Treasury bills at tender until June 1984. Beginning July 1984 rates refer to the weighted average interest rate on 91- to 183-day Treasury bills sold to banks under negotiated basis.

Singapore — 91-day Treasury bills at tender.

South Africa — 3-month Treasury bills at tender.

Spain — 6-month Treasury bills at tender until March 1984. As of April 1984, 3-month Treasury bill repos reported by the Bank of Spain (average of quotations during the month).

Sweden — new issues of 3-month Treasury bills until June 1982. New series as of July 1982, 6-month Treasury discount notes, market rate.

United Kingdom — 91-day Treasury bills at tender.

United States — 3-month Treasury bills.

Representative money-market rates

Australia — buying rate for 90-day bank accepted commercial bills.

Belgium — 4-month Fonds des Rentes certificates.

Canada — 3-month prime finance company paper.

Chile — central bank 60-day fixed rate promissory notes (PDBC) at tender.

France — 3-month interbank money against private paper.

Germany — 3-month interbank deposits.

Hong Kong — 3-month interbank deposits.

Indonesia — 1-month interbank deposits.

Ireland — 3-month interbank deposits.

Italy — 3-month interbank deposits.

Japan — 3-month "gensaki" rate.

Korea — 3-month financial bill.

Malaysia — 3-month interbank deposits.

Netherlands — 3-month interbank deposits.

New Zealand — 90-day commercial bills.

Philippines—weighted average interest rate for 90-day promissory rates.

Portugal — average of 30- to 90-day interbank deposits.

Singapore — 3-month banker's acceptances.

South Africa—90-day banker's acceptances.

Spain — 3-month interbank rate reported by the Bank of Spain (average of quotations during the month).

Switzerland — 3-month interbank deposits.

Taiwan — 90-day banker's acceptances.

Thailand — interbank call money.

United Kingdom — 3-month interbank deposits.

United States — 3-month prime industrial paper.

Commercial bank deposit rates

Argentina — nominal 30-day time deposits. Average of bank rates published by the central bank until August 1984. New series as of September 1984, 30-day acceptances maximum interest rate.

Austria — 3-month time deposits.

Australia — 3-month certificates of deposit.

Belgium — special maximum rate for 3-month time deposits in large amounts.

Brazil — 6-month certificates of deposit with prefixed yields until July 1982. New series as of August 1982, 6-month certificates of deposit reported as a spread above monetary correction which is set every month in relationship to inflation.

Canada — 3-month time deposits.

Chile — 30-day time deposits.

Denmark — time deposits of 3-months' notice.

Finland — time deposits of six-month notice.

France — 3-month time deposits of FF. 1,000,000.

Germany — 3-month time deposits in large amounts.

Hong Kong — negotiable 3-month time deposits of more than HK$500,000.

Ireland — 3-month deposits.

Italy — 3-month time deposits of Lit. 100 million or more.

Japan — 90-day negotiable certificates of deposit issued by the Tokyo office of Morgan Guaranty Trust Company.

Korea — 3-month time deposits.

Malaysia — 3-month time deposits.

Mexico — 3-month certificates of deposit until September 1983. New series as of October 1983, 3-month promissory notes.

Netherlands — 3-month time deposits in large amounts.

New Zealand — 6-month transferable certificates of deposit.

Norway — 3-month special term deposits.

Philippines — weighted average interest rates on 60- to 90-day time deposits of samole commercial banks.

Portugal — 90- to 180-day time deposits until May 1984. New series as of June 1984, 180-day to one-year time deposits.

Key to data in tables — continued

Singapore — 3-month certificates of deposit.
South Africa — 3-month negotiable certificates of deposit.
Spain — deposits over 6 months and less than 1 year for Pts. 1 million or more reported by the Bank of Spain.
Sweden — 3-month certificates of deposit.
Switzerland — 3-month time deposits.
Taiwan — maximum rate for 3-month time deposits.
Thailand — 3-month time deposits.
United Kingdom — 3-month time deposits.
United States — 3-month negotiable certificates of deposit issued by Morgan Guaranty Trust Company.
Venezuela — 6-month negotiable certificates of deposit for domestic depositors only.

Domestic government bond yields

Austria — Austrian National Bank average yield on all outstanding government bonds.
Australia — secondary market yield for 10-year Treasury bonds.
Belgium — Belgium National Bank secondary market average yield on central government bonds of more than 5 years' maturity quoted on Brussels Stock Exchange.
Canada — Bank of Canada average yield on all direct government bonds due or callable in 10 years or more.
Denmark — 12% serial bonds maturing 2001 until April 1983. New series as of May 1983, 10% serial bonds maturing 2004.
Finland — rate of interest at issue on central government bonds intended for public subscription, weighted by sales of bonds in the latter half of each month.
France — INSEE secondary market weighted average yield of public sector bonds with a remaining maturity of 10 years or more.
Germany — Frankfurter Allgemeine Zeitung 10-year public authority bond average.
Ireland — 15-year government bonds.
Italy — average yield on fixed-interest government bonds, not including irredeemable bonds, weighted by the amounts in circulation, for maturities of 9 years or more.
Japan — secondary market average yield on longest-term life government bonds as quoted by the Securities Dealers Association of Japan.
Netherlands — Central Bureau of Statistics (CBS) average yield on three latest government bonds.
New Zealand — average yield on government bonds maturing after 5 years.
Norway — 5% government bond of 1996 until December 1982. New series as of January 1983, average yield of long-term government bonds.
Philippines — weighted average interest rate of outright sales on secondary transactions for central bank certificates of indebtedness.
Portugal — yield of 4% Centenary Loan of 1940.
South Africa — 25-year government bonds until August 1983; 20-year Republic of South Africa bonds until April 1984; new series as of May 1984, secondary market yield for the 13% due 2005 Republic of South Africa bond.
Spain — Bank of Spain secondary market weighted average yield of several central government issues with more than 2 years' maturity (average of quotations during the month).
Sweden — 15-year government bonds until October 1983. New series as of November 1983, 5-year government bond yield index, market rate.
Switzerland — Swiss Confederation bond average.
United Kingdom — F.T. (*Financial Times*) Actuaries 25-year government stock.
United States — Morgan Guaranty 20-year U.S. Government Bond Index.
Venezuela — Banco Central average yield on public-sector bond issues.

Commercial bank lending rates to prime borrowers

Argentina — average rate on 30-day loans.
Austria — overdraft rate for prime borrowers, including commission.
Australia — overdraft rate. Maximum indicator rate applying to loans of A$100,000 or more for major trading banks.
Belgium — prime overdraft rate.
Brazil — prefixed rate applied to working capital loans until July 1982; monetary-corrected free rate applied to working capital loans from August 1982 to July 1983. New series as of August 1983, maximum legal rate reported as a spread above monetary correction which is set every month in relationship to inflation. Charges for fees and commissions are often added.
Canada — prime rate.
Chile — average prime rate of six major commercial banks.
Denmark — approximate rate for loans and advances to prime borrowers.
Finland — average rates on total commercial bank lending.
France — base lending rate, excluding a commission of .05% per month on highest debit balance during the month. A spread above base rate is often added.
Germany — approximate effective overdraft rate for prime borrowers.
Hong Kong — prime lending rate set by the Hong Kong Association of Banks.
Indonesia — prime rate for domestic affiliates of foreign companies.
Ireland — AA corporate borrowing rate.
Italy — unsecured overdraft rate for prime borrowers.
Japan — average contracted interest rate for short-term loans of city banks. In addition, compensating balances may be required.
Korea — prime rate.
Malaysia — Bank of Commerce Berhad base lending rate.
Mexico — base rate or average cost of money for banks determined monthly by the Banco de Mexico S.A.
Netherlands — overdraft rate for prime borrowers, including commission.
New Zealand — overdraft rate for prime borrowers.
Norway — overdraft rate, including a commission of .25% per quarter on the total line of credit until January 1983. New series as of February 1983, special rate of first class, large borrowers.
Philippines — prescribed administrative ceiling for unsecured loans with maturities of 365 days and below, including charges until December 1982. New series as of January 1983, modal rate to prime borrowers.
Portugal — maximum rate for 90- to 180-day loans.
Singapore — most common overdraft rate, major banks.
South Africa — unsecured overdraft rate for prime borrowers.
Spain — private banks' average interest rate for 1-year loans reported by the Bank of Spain.
Sweden — overdraft rate for prime industrial borrowers, commission not included.
Switzerland — unsecured overdraft rate for prime borrowers, excluding commission of .25% per quarter on average or highest outstanding debit balance in quarter.
Taiwan — maximum rate for 3- to 12-month secured loans. Rate is an indication only and may vary from actual bank lending rate which is subject to volatile interbank rates.
Thailand — prime rate.
United Kingdom — clearing bank base lending rate. A spread above base rate is often added.
United States — prime rate of Morgan Guaranty Trust Company.
Venezuela — representative rate for domestic prime borrowers only.

Domestic corporate bond yields

Canada — McLeod, Young, Weir Co. Ltd., weighted long-term bond yield index for AA corporates.
France — INSEE secondary market weighted average yield of private company bonds with a remaining maturity of 10 years or more.
Germany — Bundesbank secondary market weighted average yield of industrial bonds with a remaining maturity of more than 3 years.
Japan — secondary market yield for NTT bond maturing March 1987.
Korea — average of yields on corporate bonds guaranteed by local banks, with an original maturity of 3- 2- 5-years.
Netherlands — CBS average yield on three 6%-6.5% corporate bonds until December 1981. As of January 1982, CBS secondary market weighted average yield on all commercial bank issues with a quotation between 92% and 103%.
Norway — 5.75% Dalen Portland-Cement bond of 1969-1984 until December 1982. New series as of January 1983 average yield of long-term industrial bonds.
Spain — Bank of Spain seconary market weighted average yield of several corporate issues with more than 3 years' maturity (average of quotations during the month).
Sweden — Central Satistical Bureau average yield on industrial bonds.
Switzerland — average yield on outstanding bonds of four leading Swiss companies. Mixture changed as of January 1982.
United Kingdom — *Financial Times* secondary market average yield of industrial and financial company debentures and loan stocks with an average of 25 years to maturity.
United States — Salomon Brothers index of new issues yields for Aa industrial bonds with five-year call protection.
Venezuela — average of yields on 15-year bond issues of Electricidad de Caracas.

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